

# **4 FAH-3 H-230 ACCRUAL ACCOUNTING CONCEPTS FOR ASSETS AND LIABILITIES**

## **4 FAH-3 H-231 BASIC REQUIREMENTS AND DEFINITIONS**

*(TL:FMP-5; 6-30-95)*

Accrual basis accounting is required under 31 U.S.C. 3512d. All organizations in the Department with an allotment or operating allowance of funds must comply with accrual accounting concepts, maintain appropriate records in accordance with the concepts identified in this subchapter and record the transactions as required by the Department. Additional information on accrual accounting concepts is available in 4 FAH-3 H-030 .

### **4 FAH-3 H-231.1 Accrual Accounting Concept**

*(TL:FMP-5; 6-30-95)*

Under the accrual accounting concept, income and expenses of operations are allocated to the accounting periods in which they apply, regardless of when income is received, expenses are incurred or payments are made. In order to properly book transactions in the official records of the Department, a determination must be made as to how it should be classified in the accounting records. This subchapter provides definitions and methods of determining when a transaction should be recognized as income or expense or whether the transaction should be classified as an asset or liability as required by the accrual accounting concept.

### **4 FAH-3 H-231.2 Control of Amounts Owed to or Due From Others**

*(TL:FMP-5; 6-30-95)*

Accrual-based accounting is an important and required form of control over resources and results in a systematic record of transactions that must be recorded to ensure an accurate record of U.S. Government financial resources. All Department bureaus and organizations, including posts receiving accounting services from the RFSCs, must maintain:

- (1) Documentation to support advances issued;
- (2) Accounts receivable and payable records; and

(3) Supporting files to control amounts due and creditable to appropriations, receipt accounts, and/or other fund accounts for State, serviced agencies and authorized organizations with allotted or operating allowance funds.

#### **4 FAH-3 H-231.3 Accrual Accounting and the Status of Undelivered/Unpaid Orders**

*(TL:FMP-5; 6-30-95)*

Undelivered/unpaid orders are budgetary assets of the Department. The amount of undelivered/unpaid orders represents the balance of obligations established against which goods and services have not been furnished or liquidation occurred as of the end of the reporting period. While the amount of undelivered/unpaid orders is easily computed, it will not be accurate unless a post has complied with the provisions of this subchapter. Obligations minus liquidations plus accounts receivable (for overpayments) minus accounts payable equals undelivered/unpaid orders.

#### **4 FAH-3 H-231.4 Undelivered/Unpaid Orders Must Be Accurately Recorded and Adjusted Based on Accrual Records**

*(TL:FMP-5; 6-30-95)*

Obligation adjustments are made when actual liquidation data, accounts receivable data (e.g., refunds of outstanding overpayments), and other information (e.g., upward or downward prices for goods ordered) indicates that the unliquidated obligation figure does not represent the best possible estimate of liquidations or refunds to be subsequently charged or credited against the particular obligations.

#### **4 FAH-3 H-232 ACCOUNTING FOR ACCOUNTS RECEIVABLE, ADVANCES AND PREPAYMENTS UNDER THE ACCRUAL CONCEPT**

*(TL:FMP-5; 6-30-95)*

a. The accrual concept allows the Department to properly match revenues and expenses with the appropriate accounting period. To do this properly, the concept must be applied to current assets. In the Department, the most common types of current assets requiring the application of the accrual concept include:

- (1) Accounts receivable;

(2) Advances and prepayments; and

(3) Inventories.

b. Consistent with the Federal Financial Accounting Standards defining each class of asset, each allotment and operating allowance holder is responsible for accurately identifying accruals and maintaining them in accordance with this subsection and the procedures identified in 4 FAH-3 H-030 . The following sections define accounts receivable, advances and prepayments, and items classified as inventory and non-expendable property.

## **4 FAH-3 H-232.1 Accounts Receivable**

*(TL:FMP-5; 6-30-95)*

a. Such receivables are recorded and treated as assets (not expenses) until the amounts are:

(1) Collected;

(2) Determined to be uncollectible; or

(3) Offset by costs of goods and services received.

b. An account receivable is a transaction that represents a debt due to the U.S. Government for goods and services that have not been received. Receivables occur for many reasons. Specific examples include:

(1) Overpayments for salaries and allowances;

(2) Overpayments for travel expenses, excess baggage, unaccompanied baggage, excess shipments of effects, other transportation and transportation services;

(3) Amounts due the Government for medical expenses of dependents;

(4) Amounts recoverable from employee medical insurance benefits;

(5) Amounts requested as refunds for unused transportation tickets;

(6) Overpayments to contractors, vendors, carriers, grantees, etc.;

(7) Determination that a loss of, or damage to, Government-owned property or official shipments is the responsibility of an individual or entity;

(8) Taxes paid to supplier for which refunds are due;

(9) Amounts due from other U.S. Government agencies; and

(10) Repatriation Loans—Washington (allotment 4024). Authorized loans to certain U.S. nationals abroad are processed in accordance with section 4 FAH-3 H-438.7 . (See 4 FAH-3 H-232.2 for special procedures.)

c. Where the actual amount is unknown, such as for unused transportation tickets, the amounts used in recording requests for refunds as receivables are based on the best available estimates.

#### **4 FAH-3 H-232.1-1 Accounts Receivable Records**

*(TL:FMP-5; 6-30-95)*

Records for accounts receivable are to be maintained at the appropriation and allotment/operating allowance/project level and must be recorded accurately and promptly upon determination of amounts due. In addition, receivables from federal entities must be clearly identified and separated from non-federal receivables. Where the receivables are created in foreign currency units, they are maintained in such units until collected. In the event an untimely collection for an advance or overpayment in foreign currency units occurs and an exchange loss results, the loss is charged to the allotment.

#### **4 FAH-3 H-232.1-2 Accounting For Accounts Receivable**

*(TL:FMP-5; 6-30-95)*

In most cases the accounts receivable to be recorded and reported will be credited to the appropriation and allotment, operating allowance or project from which the original payment was made. (Note: repatriation loans receivables are an exception and special procedures apply to these loans—see 4 FAH-3 H-232.2 ). In the past, the Department required posts to manually maintain an Individual Receivable Account/Register (IRAR) on Form DS-1682. While this specific form is no longer required, posts must maintain subsidiary ledgers for the receivables in accordance with procedures documented in 4 FAH-3 H-030 . Such subsidiary ledgers may be manual or automated depending on post capabilities and requirements. However, at a minimum, the records must reflect the name of the person or organization owing money, the date the receivable was established, the amount owed and the associated appropriation, allotment, operating allowance or project.

#### **4 FAH-3 H-232.1-3 Timely Booking of Accounts Receivable**

*(TL:FMP-5; 6-30-95)*

Immediately upon determination that a receivable is due, the amount of the receivable is established in the post's subsidiary ledgers. At the end of the fiscal year or as requested by the Department, the ledger balances are summarized by appropriation and allotment, operating allowance or project and reported as (1) accounts receivable, U.S. Government or (2) accounts receivable, other, as appropriate.

#### **4 FAH-3 H-232.1-4 Accounts Receivable Files That Support Post Records/Ledger**

*(TL:FMP-5; 6-30-95)*

Document files supporting outstanding receivables are to be established by name, account or case number for each individual advance or other amount due from employees, U.S. Government agencies, commercial accounts and others. The post must date the account receivable records and ensure that collection and write-off action are initiated and maintained in accordance with 4 FAM-490 and 4 FAH-3 H-490 .

#### **4 FAH-3 H-232.1-5 Accounts Receivable Control Documents**

*(TL:FMP-5; 6-30-95)*

A control document or register is maintained to reflect categories of receivables at each post or responsible office. The document or register is necessary for maintaining summary accounting controls over the individual class of receivable accounts; for example, quarters allowances, travel advances, commercial accounts, etc. However, where the number of receivable accounts is small, one overall control register can be maintained.

#### **4 FAH-3 H-232.1-6 Location of Receivable Records**

*(TL:FMP-5; 6-30-95)*

Accounts receivable records are maintained by the post or allotment holder whose funds are involved or by the responsible accounting office or post which maintains the accounts and provides fiscal servicing. Arrangements should be made for collection of the outstanding amounts due before the transfer. Requests for collection are forwarded, as appropriate, and such requests contain the name and other identification of the debtor, category of receivable, appropriation or fund and allotment, and the amount due. Accounts receivable records and ledgers should not be maintained by an employee who is responsible for receiving monies due the United States.

#### **4 FAH-3 H-232.1-7 When Employee Transfers Prior to Collection of Receivable**

*(TL:FMP-5; 6-30-95)*

Records of employee accounts receivable are usually retained by the responsible accounting office when the employee is transferred to ensure the receivable is recovered. When an employee transfers to another location prior to collection and it is impractical to continue the collection process where the accounts receivable occurred, the responsible allotment holder may elect to transfer responsibility for the collection to the receiving post. However, if the receivable is not recovered, the original allotment holder is responsible for funds.

#### **4 FAH-3 H-232.1-8 Receivables Held/Transferred to Other Offices**

*(TL:FMP-5; 6-30-95)*

Collections against Washington-held receivables are coordinated with the Office of the Director for Domestic Financial Services (FMP/DFS). The responsible office within FMP/DFS is the Financial Operations Accounts Receivable Division (FMP/DFS/FO/AR). Also, when collection efforts are no longer practical at the point where the accounts receivable occurred the receivable may be transferred to FMP/DFS/FO/AR in Washington for additional collection actions. Procedures to transfer significantly past due accounts receivable from the subsidiary ledgers of the responsible allotment or operating allowance holder to FMP/DFS/FO/AR are identified in 4 FAH-3 H-030 and 4 FAH-3 H-490 .

#### **4 FAH-3 H-232.2 Credit Reform and Repatriation Loans**

*(TL:FMP-5; 6-30-95)*

Credit reform legislation and the centralized management of repatriation loans require these account receivables to be handled differently than other receivables. While the loans are made at post, all documentation and responsibility for the loans are immediately transferred to FMP/FO/SAC to track and collect. FMP personnel have the responsibility to manage the receivables in accordance with 4 FAH-3 H-448 , 4 FAH-3 H-493 and 4 FAH-3 H-030 and the credit reform legislation.

#### **4 FAH-3 H-232.3 Advances and Prepayments**

*(TL:FMP-5; 6-30-95)*

Like accounts receivable, the accrual concept must be applied to advances and prepayments. Advances are cash outlays made by a federal

entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires (e.g., travel advances, cash or other assets distributed under a contract, grant, or cooperative agreement). Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. However, progress payments made to a contractor based on the percentage of completion of the contract are not advances or prepayments.

#### **4 FAH-3 H-232.3-1 Advances and Prepayments Should Not Be Netted**

*(TL:FMP-5; 6-30-95)*

Advances to employees are outlays for anticipated expenses or payments for goods and services even if the advance has not been charged to a funded allotment. Specific examples of advance transactions that are so charged include advances for travel and quarters allowances. When advances are not repaid in accordance with Department policies and procedures they should be converted to an accounts receivable. In addition, advances and prepayments paid out by an entity are assets of the entity. Similarly, advances and prepayments received by an entity are liabilities of the entity. In the tracking and reporting of advances and prepayments, the entity paid out (assets) should not be netted against advances and prepayments the entity received (liabilities). The following sections provide procedures for identifying and tracking advances and prepayments.

#### **4 FAH-3 H-232.3-2 Some Advances Require Separate Accounts**

*(TL:FMP-5; 6-30-95)*

Memorandum accounts are unfunded allotments or operating allowances that are used for certain kinds of short-term advances. These accounts require special treatment and are separately tracked by individuals or accounts. The following accounts are maintained for recording and controlling amounts of advances and for reporting outstanding balances of such advances under the appropriate accounts symbol.

#### **4 FAH-3 H-232.3-3 Post-Funded Travel Advances**

*(TL:FMP-5; 6-30-95)*

Advances for post-funded temporary duty travel (TDY) are processed in accordance with 4 FAH-3 H-333.2. Amounts of advances are recorded and reported under 9XXX (XXX representing the post code) account numbers and tracked by individual employee.

#### **4 FAH-3 H-232.3-4 Washington-Funded Travel Advances**

*(TL:FMP-5; 6-30-95)*

Advances for worldwide international assignment travel and for authorized TDY under stateside allotments or operating allowances are recorded and reported under a specific allotment or allowance account identified in 4 FAH-1

#### **4 FAH-3 H-232.3-5 Quarters Allowance Advances**

*(TL:FMP-5; 6-30-95)*

Amounts advanced to employees for post-funded quarters allowances are authorized and controlled under 8XXX (XXX representing post code) account numbers for State. The amount of each advance is recorded and reported by individual employee and managed through the payroll system.

#### **4 FAH-3 H-232.3-6 Salary Advances for Permanent Change of Station**

*(TL:FMP-5; 6-30-95)*

Amounts advanced to employees for permanent change of station is an advance of pay that is repaid by salary deductions. Repayment must be completed in not more than 18 pay periods. The amount of each advance is recorded and reported by individual employee and managed through the payroll system.

#### **4 FAH-3 H-232.3-7 Advances for Contracts**

*(TL:FMP-5; 6-30-95)*

When a payment is made in advance of performance under the terms of a contract, such payment is a contract advance if the performance has not occurred before the end of the accounting period. For example, guarantee deposits are classified as contract advances. Other examples are deposits for meters and communications equipment where the recovery of the payment for goods or services is to be effected at some future date.

#### **4 FAH-3 H-232.3-8 Advances for Grants**

*(TL:FMP-5; 6-30-95)*

If the grant is for specific performance within a time limit (such as a research grant) and there is no report from the grantee by the end of the reporting period, an estimate of costs applicable to the period that has elapsed is made and deducted from the total amount of the grant and the



balance reported as an advance. However, if the grant is outright without requiring reports of performance (e.g., educational allowance grant), it is treated as an expense at the time of payment and not as an advance.

#### **4 FAH-3 H-232.3-9 Other Advances**

*(TL:FMP-5; 6-30-95)*

Advances not otherwise classified are made for certain post-funded expenses, for example, cash deposits to the Government Printing Office (GPO) for procurement of GPO publications. These are controlled and reported under 7XXX (XXX representing post code) for State. These advances are always short-term in nature and charged to a funded 7XXX account.

#### **4 FAH-3 H-232.3-10 Prepaid Rents**

*(TL:FMP-5; 6-30-95)*

An advance payment on rental of equipment is a rental prepayment. If the advance payment is for a period greater than a month, a pro rata share (based on amount of prepayment divided by the number of months in the period of agreement) will be deducted from the amount of the prepayment for each month. At the end of the reporting period, the remaining balance of the prepayment is reported as a rental prepayment.

#### **4 FAH-3 H-232.3-11 Prepaid Leaseholds**

*(TL:FMP-5; 6-30-95)*

An advance payment on any realty is a leasehold prepayment. Essentially, the amounts are considered as recoverable if the lease-rental agreements are terminated prior to expiration dates. If the advance payment is for a period exceeding 30 days, a pro rata share (based on amount of prepayment divided by the number of months in the agreement) is deducted from the amount of the prepayment for each month. The amount of the leasehold in each case is progressively reduced and treated as an applied cost. At the end of the accounting period, the remaining balance of the prepayment is reported as a leasehold prepayment.

## **4 FAH-3 H-233 REQUIRED ACCOUNTING FOR INVENTORY, OPERATING MATERIALS AND NON-EXPENDABLE PROPERTY AND EQUIPMENT**

*(TL:FMP-5; 6-30-95)*

Allotment and operating allowance holders who use Department funds to purchase assets such as inventory, operating materials and nonexpendable property and equipment must maintain inventory and property records in accordance with the accounting requirements in 4 FAH-3 H-030 .

### **4 FAH-3 H-233.1 Reporting Asset Balances for an Accounting Period**

*(TL:FMP-5; 6-30-95)*

At least annually, or more frequently if requested by the Department, all domestic and overseas locations must report the dollar value of inventory and nonexpendable property/equipment at the close of an accounting period (e.g., end of the fiscal year or as of a date specified by the Department). The values reported should be consistent with the definitions and property classifications identified in sections 4 FAH-3 H-232.2 through 4 FAH-3 H-232.4 .

### **4 FAH-3 H-233.2 Definition of Inventory and Operating Materials**

*(TL:FMP-5; 6-30-95)*

a. Inventory is tangible personal property that is:

(1) Held for sale;

(2) In the process of production for sale; or

(3) To be consumed in the production of goods for sale or in the provision of services for a fee.

b. Similarly, operating materials and supplies consist of tangible personal property to be consumed in normal operations. Specific items excluded from operating materials are:

(1) Goods that have been acquired for use in construction real property or in assembling equipment to be used by the entity;

- (2) Stockpiled materials;
- (3) Goods held under price stabilization programs;
- (4) Foreclosed property;
- (5) Seized and forfeited property; and
- (6) Inventory.

#### **4 FAH-3 H-233.3 Computing the Inventory Value to Be Reported**

*(TL:FMP-5; 6-30-95)*

The inventory value to be reported is either an aggregate amount recorded on an inventory record or the result of a physical count on the accounting period closing date. Given the nature of the Department's business, most locations will not be maintaining inventories as defined in 4 FAH-3 H-233.2 . Items that could qualify include substantive products in support of commercial activities, passports in process, and/or other products and services that the Department will ultimately assess a user fee or charge upon delivery. However, from a materiality perspective, the aggregate value of the inventory does not have to be reported if its value is less than \$5,000.

#### **4 FAH-3 H-233.4 Computing Operating Materials Balances to Be Reported**

*(TL:FMP-5; 6-30-95)*

Operating materials and supplies shall be recognized and reported as assets when produced or purchased. The consumption method of accounting for the recognition of expenses shall be applied for operating materials and supplies. The method to determine a balance to be reported should be consistent with the procedures in 4 FAH-3 H-233.3 . However, the general business nature of the Department may preclude the existence of this asset class and a dollar value for operating materials and supplies does not need to be reported if its aggregate value is less than \$5,000.

## **4 FAH-3 H-233.5 Nonexpendable Personal Property and Equipment**

*(TL:FMP-5; 6-30-95)*

The value of nonexpendable personal property and equipment is reported by major category and includes, as one figure, both property in use and property in storage. The following is a list of individual property categories that must be provided:

- (1) Communications Equipment;
- (2) Vehicles;
- (3) Medical Equipment;
- (4) Security Equipment;
- (5) Automated Data Processing Equipment;
- (6) Automated Data Processing Software;
- (7) Other Depreciable Personal Property; and
- (8) Nondepreciable Capitalized Property.

## **4 FAH-3 H-233.6 Reported Amounts Must Be Consistent With Other Property Management Systems or Records**

*(TL:FMP-5; 6-30-95)*

The amount reported by the post or allotment holder is obtained from the nonexpendable personal property records maintained by the post, together with the value of any nonexpendable personal property item which has been received but not included on the property records at the end of the reporting period. Similarly, disposals that have not been recognized on the property records are deducted. For most locations domestically and overseas, automated property accounting systems such as Nonexpendable Property Application (NEPA), Diplomatic Security Property Accountability Management System (PAMS), and the Worldwide Property Accountability (WPA) system for communication equipment will support a large portion of the reporting requirement if the record maintenance procedures for these systems are properly followed.

## **4 FAH-3 H-233.7 Assets Specifically Excluded From the Procedures and Requirements in This Subchapter**

*(TL:FMP-5; 6-30-95)*

The following assets are not treated as accounts receivables, advances, inventory and prepaid assets under the provisions in this chapter because they are subject to other controls:

- (1) Uncollected accommodation exchange checks (see 4 FAH-3 H-360 );
- (2) GAO exceptions (see 4 FAH-3 H-490 );
- (3) Subscriptions, which are treated as current operating costs;
- (4) Container deposits for bottled water, bottled gas, petroleum drums, etc., which are treated as current operating costs, due to their rapid turnover (and when repaid are credited as refunds to the current year appropriation and allotment/operating allowance);
- (5) Prepaid third-party auto insurance, which is treated as current operating expense; and
- (6) Nonofficial services and supplies furnished to employees at out-of-the-way locations (see 4 FAH-3 H-325 ).

## **4 FAH-3 H-234 ACCOUNTING FOR LIABILITIES UNDER THE ACCRUAL CONCEPT**

*(TL:FMP-5; 6-30-95)*

Under accrual basis accounting, amounts owed to an individual, company, organization, U.S. Government agency, etc., for the unpaid value of goods and services received and accepted, are liabilities. An account payable is an example of a current liability. Other current liability types as defined in Federal Financial Accounting Standard Number 1 (FFAS No.1) includes salaries and wages, benefits, and entitlements. Current liabilities need to be accrued for goods received or services rendered, whether billed or unbilled, as of the end of the reporting period. Estimates of payables and/or other liabilities are used only if it is not economically feasible and/or practical to obtain actual figures. The following provides guidance on the way to value specific liabilities at the end of an accounting period

## **4 FAH-3 H-234.1 Accounts Payable**

*(TL:FMP-5; 6-30-95)*

Accounts payable are a specific class of liabilities defined by FFAS No. 1. In this standard, accounts payable are defined as amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities. Accounts payable are not intended to include liabilities related to on-going continuous expenses such as employees' salary and benefits, which are covered by other current liabilities. Amounts owed for goods or services received from federal entities represent intragovernmental transactions and should be reported separately from accounts owed to the public. 4 FAH-3 H-234.1-1 through 4 FAH-3 H-234.1-8 identify how accounts payables should be identified and charged to allotted or operating allowance funds under the accrual accounting concept.

### **4 FAH-3 H-234.1-1 Rents and Leaseholds**

*(TL:FMP-5; 6-30-95)*

When a rental or leasehold period is on a monthly basis and the period is from the first of one month to the first of the following month, and the amount due has not been paid, the amount recorded as a payable is the balance of the unliquidated obligations at the end of the reporting period.

### **4 FAH-3 H-234.1-2 Communications and Utilities**

*(TL:FMP-5; 6-30-95)*

Where a service is billed on a first-to-the-end-of-the-month basis, and such service has been received (telephone, telegraph, light, water, heat, etc.) but has not been paid for, the estimated obligation established for the month(s) is reported as a payable.

### **4 FAH-3 H-234.1-3 Purchase Orders and Contracts for Goods and Services**

*(TL:FMP-5; 6-30-95)*

a. **Purchase Order**—The amount recorded as a payable is the value of goods or services received but not paid for (whether billed or unbilled) at the end of the reporting period. The amount will be determined by an analysis of the unliquidated obligation document file and receiving reports (e.g., OF-62 and/or RFC-62, Status of Obligations Report) in conjunction with the unliquidated obligation document files at the post or organization with an allotment of funds.

b. **Contractual Services**—The amount of a payable under a contract depends upon when the Government becomes liable for payment of the services being produced or performed by the contractor. Where estimates are used to determine contract payables, they should be based upon a review and analysis of data in the contract files plus analysis of the unliquidated obligations. The categories of contracts for consideration in determining accruals are:

(1) Contracts in which the Government has a legal monetary liability as the work is performed by the contractor during the period of the contract. The payables are measured by the accrued earnings (for services or services and goods) of the contractor (less payments); that is, an amount a contractor could legally claim. This is often best determined by estimating the percentage of the total contract that has been completed;

(2) Contracts in which there is no legal liability for payment will not be paid until services covered are received by the Government;

(3) Contracts in excess of \$50,000 requiring performance according to Government specification. Accruals will be based upon data obtained from the monthly contract financial report submitted by the contractor for each contract, provided the period of the contract exceeds 6 months. The report required by terms of the contract reflects accrued earnings of the contractor for the reporting period. For contracts for periods of 6 months or less the amount is determined from the specific provisions in the contract governing completion dates and any holdbacks pending inspection.

(4) Contracts of \$50,000 or less, or for periods of 6 months or less, requiring performance according to Government specifications. Payables are determined through analysis of unliquidated obligations, receiving reports, and/or other documentary evidence indicating receipt of goods and services and/or the degree of completion of each contract.

(5) Contracts for off-the-shelf items, mass-produced and/or sold in the commercial market. Payable figures are figures based on an analysis of unliquidated obligation and receiving reports.

#### **4 FAH-3 H-234.1-4 Petty Cash Purchases**

*(TL:FMP-5; 6-30-95)*

The amount of the payable at the end of the reporting period is the balance of unliquidated obligations which were established for petty cash purchases.

#### **4 FAH-3 H-234.1-5 Semiannual Orders (Requisitions)**

*(TL:FMP-5; 6-30-95)*

When billings (interoffice transfers) are received prior to receipt of goods and the billing is not processed before the end of the reporting period, a payable is identified in the amount of the billing. If neither goods nor billing has been received before the end of the reporting period, none of the unliquidated obligations for semiannual orders is a payable.

#### **4 FAH-3 H-234.1-6 Transportation of Things (Not Under Travel Authorizations)**

*(TL:FMP-5; 6-30-95)*

A payable exists for the amount of any bill of lading or an airway bill for shipment of pouches or freight charges on goods or material which is unpaid at the end of the reporting period.

#### **4 FAH-3 H-234.1-7 Tort Claim**

*(TL:FMP-5; 6-30-95)*

A tort claim is a liability against the U.S. Government that should only be identified as a payable when it has been legally approved but not paid at the end of the reporting period. There will be no payable established while the claim is in litigation or still in the administrative resolution process. Only after a determination is made that an item is a payable, and whether it is a payable to (1) a Government agency or (2) other than a Government agency, should such item be identified and reported.

#### **4 FAH-3 H-234.1-8 Recording and Maintaining Accounts Payable Records**

*(TL:FMP-5; 6-30-95)*

The management of accounts payable is important to allotment and allowance holders and poor management may affect the total amount of funds available. Accurate estimates of when an accounts payable is due is important to limiting the payment of interest under Prompt Payment legislation and critical to year-end reporting on Department resources. On at least an annual basis and more frequently if requested by the Department, all allotment holders must identify accounts payable in accordance with the instructions in this subchapter. In addition, all accounts payable must be maintained in accordance with the procedures in 4 FAH-3 H-030 .



## **4 FAH-3 H-234.2 Other Current Liabilities**

*(TL:FMP-5; 6-30-95)*

The term "other current liabilities" is used for current liabilities that are not recognized in specific categories such as accounts payables; interest payable; debt owed to the public, Treasury or other entities; and liabilities for loan guarantee losses. Other current liabilities may include accrued employees' wages, bonuses and salaries; accrued entitlement benefits payable; and/or annuities for the current fiscal year administered by trust, pension, or insurance program. In addition, when federal agencies receive advances and prepayments from other entities for goods to be delivered or services to be performed, the current portion of the advances and prepayments are other current liabilities.

### **4 FAH-3 H-234.2-1 Salary and Wages**

*(TL:FMP-5; 6-30-95)*

The amount to be recorded as a payable at the end of the accounting period will be the balance of the unliquidated obligations.

### **4 FAH-3 H-234.2-2 Benefits**

*(TL:FMP-5; 6-30-95)*

a. A payable at the end of the reporting period for the following benefits will be determined in the same manner as salary and wages:

- (1) Post allowances;
- (2) Foreign Service transfer allowances;
- (3) Home service transfer allowances;
- (4) Separate maintenance allowances;
- (5) Supplementary post allowances;
- (6) Living quarters allowances;
- (7) Temporary lodging allowances;
- (8) Marine Guard allowances;
- (9) Miscellaneous allowances; and
- (10) Employer's contributions.

b. A payable is established in the amount of the unliquidated obligation for a dependent's education allowance if the school year has started at the end of the reporting period. If the school has not started at the end of the reporting period, no payable is established for this allowance. A payable is established in the amount of an award to an employee if the award has been approved but not paid at the end of the reporting period.

#### **4 FAH-3 H-234.2-3 Severance Pay**

*(TL:FMP-5; 6-30-95)*

A payable for benefits to former personnel such as severance pay will be the balance of the unliquidated obligations at the end of the reporting period.

#### **4 FAH-3 H-234.2-4 Travel and Transportation (Under Travel Authorizations)**

*(TL:FMP-5; 6-30-95)*

A payable as of the end of the reporting period is determined by an analysis of unliquidated obligations in the document file as follows:

(1) If the travel authorization indicates that travel was to start but would not be completed before the end of the reporting period, the unpaid transportation costs plus the estimated per diem from the starting date of travel to the end of the reporting period is included as a payable. (Round figures to the nearest \$10);

(2) If the travel authorization indicates travel was to be performed and completed before the end of the reporting period, the entire unliquidated obligation for that travel authorization is recorded as a payable;

(3) If the travel authorization indicates TDY travel will begin and end overseas but no travel was to be performed before the end of the reporting period, the payable is recorded for that travel authorization when an expense is incurred (e.g., purchase of airline tickets).

The above procedure does not apply to international assignment travel; a special procedure is used in the Department to determine payables under this account. (See 4 FAH-3 H-050 ).

#### **4 FAH-3 H-234.2-5 Other Services**

*(TL:FMP-5; 6-30-95)*

a. **Official Residence Expenses**—The amount recorded as a payable at the end of the reporting period is the balance of the unliquidated obligations.

b. **Representation Expenses**—The amount recorded as a payable at the end of the reporting period is the balance of the unliquidated obligations.

c. **Third-Party Automobile Insurance**—Determination of the amount of payable to be recorded for third-party automobile insurance is based on when coverage under the policy has started but the premium due has not been paid at the end of the reporting period. A pro rata share (total premium cost divided by the length (months) of policy) of the premium cost is established as a payable

#### **4 FAH-3 H-234.2-6 Recording and Maintaining Other Current Liabilities in Financial Management Systems**

*(TL:FMP-5; 6-30-95)*

Managing other current liabilities is important for determining available resources in the Department. Resulting accruals must be maintained in accordance with the procedures in this subchapter and 4 FAH-3 H-030 . While the liabilities are not subject to the Prompt Payment legislation, accrued amounts for these liabilities directly affects Department accounting period reporting. On at least an annual basis and more frequently if requested by the Department, all allotment holders must accrue and report other current liabilities in accordance with the procedures in this subchapter.

#### **4 FAH-3 H-235 PROMPT PAY INTEREST PAYMENTS AFFECT ALLOTTED FUNDS**

##### **4 FAH-3 H-235.1 Prompt Pay Interest Is Charged to Allotted Funds**

*(TL:FMP-5; 6-30-95)*

Prompt pay interest charges for both domestic and overseas payments are added to the certified amounts on the submitted vouchers and charged to the obligation being liquidated. (see 4 FAH-3 H-422.1-4c ).

## **4 FAH-3 H-235.2 Untimely Payments for Goods/Services Received Affects Availability of Allotted Funds**

*(TL:FMP-5; 6-30-95)*

Like accounts receivables, accounts payables must be maintained in accordance with the Federal Accounting Standards Advisory Board (FASAB) standards as documented in 4 FAH-3 H-030 . Immediately upon determination that a payable is due, the amount of the payable is identified and tracked. Further, all known payables subject to the Prompt Pay Act (Pub. L. 97-177) are dated and processed in accordance with OMB Circular A-125, the provisions in 4 FAH-3 H-300 and 4 FAH-3 H-422.1 . Vouchers are immediately prepared and certified for bills or invoices received from U.S. Government agencies, commercial accounts, or other sources since failure to make timely payments in accordance with these requirements affects the available balance of allotted or operating allowance funds.

## **4 FAH-3 H-236 THROUGH H-239 UNASSIGNED**